



Watts and Associates
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September 4, 2003

Dear California Dairy Producer:

The United States Department of Agriculture's Risk Management Agency (RMA) is seeking producer input regarding the development of new, Federally subsidized risk management programs for Dairy producers. RMA has contracted with Watts and Associates, a Billings, Montana based agricultural research and consulting firm, to conduct research to assess producer interest in new risk management programs.

Representatives from Watts and Associates will meet with California Dairy producers and Dairy industry officials at the following times and locations:

- **Modesto, CA** at the Holiday Inn – 9000 West Airport Drive at 10:00 am, September 23, 2003

The purpose of these meetings is to solicit producer input on the feasibility of developing new risk management programs for the Dairy industry.

We request your attendance at the session, as we are very interested in hearing about California Dairy producers' economic risks, production perils, and risk management practices. We further plan to determine if California Dairy producers are interested in Federally subsidized risk management tools, similar to crop insurance. If producers indicate interest in new risk management programs, we plan to ask about desired coverage, types, and amounts.

Producer participation is essential to this assessment. If a Federal risk management program is developed for livestock, you are likely to be eligible for participation. Please plan to attend this session to provide your views. A copy of the session agenda is enclosed.

We hope you will attend, and we look forward to meeting you.

Sincerely,

Tim Watts
President
Watts and Associates, Inc.

DAIRY MEETING AGENDA

Introductions

- Representatives from Watts and Associates, Inc.
- History about Watts and Associates, Inc.
- Invite dairy producers and industry leaders to identify themselves

Purpose

- Discuss the uninsured perils facing dairy producers
- Answer the question, is it necessary to expand crop insurance to livestock producers
- How can this be accomplished in a cost effective manner

Goal of the Meeting

- Listen to the economic risks faced by dairy producers
- How to best manage and mitigate those risks
- Determine the insurance needs, if any, of dairy producers
- Accurately report the results of these focus group sessions to USDA
- Evaluate the feasibility of offering pilot livestock insurance programs

Identify the Economic Risks of Dairy Production That Are Currently Uninsured

- Identify the perils
- Quantify the most important economic risks
- Classify similar risks

Describe the Frequency and Severity of These Risks

- Prioritize the economic risks
- Can they be managed or reduced

Informal Risk Management Strategies

- Identify risk management strategies employed by dairy producers
- Determine what else is needed

Identify All Local, state and Federal Programs That Presently Support Dairy Producers

- Identify risks that are insured and those that are not
- Identify insurance carriers providing insurance protection
- Determine if insurance coverage is subsidized and by whom

Description of the AGR Product, Advantages and Disadvantages in Managing Risks

- Define Adjusted Gross Revenue
- Provide history of AGR
- Advantages of AGR
- Disadvantages of AGR

Identify Interests for Development of Insurance Programs for Dairy

- Solicit comments from dairy producers

Conclude the focus group session

- Summarize findings and feedback